

Exhibit I



Office of Statewide Health Planning and Development



Cal-Mortgage Loan Insurance Division
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November 21, 2011

Raymond Hino
Chief Executive Officer
Mendocino Coast District Hospital
700 River Drive
Fort Bragg, California 95437

RE: Mendocino Coast District Hospital (**District**)
Project Nos. 0564, 0929, 0944, and 0945
Consent to Incur Additional Indebtedness

Dear Mr. Hino:

In Wayne Allen's letter to David Huang of the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development (**Office**) sent November 3, 2011 (copy enclosed), on behalf of the District, he requested consent to incur indebtedness in the form of a \$2,500,000 Fixed Rate Promissory Notes with a 5-year term, to finance upgrades to the District's Electronic Medical Records system.

Section IX of the Regulatory Agreement by and between the Office and the District dated June 1, 2010 (**Regulatory Agreement**), requires, in pertinent part, the following:

- A. "The District shall not incur any indebtedness or financial obligations, including without limitation, by borrowing money, by assuming or guaranteeing the obligations of others, and by entering into installment purchase contracts or leases required to be capitalized in accordance with generally accepted accounting principles, except the District may incur the following:"

6. Long-Term Indebtedness (which may be Parity Debt), provided that
- a. the Office has consented in writing to the incurring of such indebtedness



Therefore, based upon the representations contained in the above referenced letter, verbal and electronic correspondence from the District's Chief Financial Officer, Wayne Allen, the Office hereby consents to the District's incurrence of additional debt contingent upon the following conditions:

1. The Promissory Notes shall not exceed \$2,500,000 in principal, and shall be fully paid off within 5 years from the date of closing.
2. The District must use loan proceeds only for expenses related to the District's Electronic Medical Records system. Additionally, all EHR Recovery and Reinvestment Act of 2009 Grant funds, Medi-Cal and Medicare reimbursements related to the District's Electronic Medical Records system, must be used to pay off principal and interest of the bonds, until principal balance is refunded entirely.

If you have questions or concerns, you may contact David Huang at (916) 319-8821, or electronically at David.Huang@oshpd.ca.gov.

Sincerely,



Carl A. McLaney
Deputy Director

Enclosure

cc: Wayne Allen, Chief Financial Officer
Mendocino Coast District Hospital
Lalo Trujillo, Managing Director
Caldwell Flores Winters, Inc.
Justine Gartrell, Supervising Account Manager
Cal-Mortgage Loan Insurance Division
David Huang, Account Manager
Cal-Mortgage Loan Insurance Division
Donald F. Morey, Staff Counsel
Office of Statewide Health Planning and Development